

**COUNTY OF SAN BERNARDINO,
CALIFORNIA**

SINGLE AUDIT REPORT

For the Year Ended June 30, 2006

COUNTY OF SAN BERNARDINO, CALIFORNIA

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Supervisors
County of San Bernardino, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of San Bernardino, California (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 10, 2006 (except for note 23 of the basic financial statements, as to which the date is December 20, 2006). We did not audit the financial statements of the First Five of San Bernardino County for the year ended June 30, 2006. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the First Five of San Bernardino County, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial statement reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated December 20, 2006.

This report is intended solely for the information and use of the Board of Supervisors, County management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vavreck, Turner, Day & Co., LLP

Rancho Cucamonga, California
November 10, 2006
(except for note 23 of the basic
financial statements, as to which
the date is December 20, 2006)



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

The Board of Supervisors
County of San Bernardino, California

Compliance

We have audited the compliance of the County of San Bernardino, California (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's financial statements include the operations of the Child Development Program, which expended \$37,460,671 in federal awards, which are not included in the schedule during the year ended June 30, 2006. Our audit described below did not include the grant programs of the Child Development Program because the County engaged other auditors to perform such audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedules of findings and questioned costs as items 2006-1 through 2006-5.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Our consideration of internal control over compliance did not extend to the Child Development Program, which is audited by other auditors.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of the County of San Bernardino in a separate letter dated March 16, 2007.

Schedule of Expenditures of Federal Awards and Supplemental Schedule

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006 (except for note 23 of the basic financial statements, as to which the date is December 20, 2006). We did not audit the financial statements of the First Five of San Bernardino County for the year ended June 30, 2006. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the First Five of San Bernardino County, are based on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. The Supplemental Schedule of Office of California Department of Aging Grants is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Award and Supplemental Schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Supervisors, County management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vawter, Tamm, Day & Co., LLP

Rancho Cucamonga, California
March 16, 2007

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Agriculture:			
Pass-Through Programs:			
Child Nutrition Cluster:			
California Department of Education:			
School Breakfast Program	10.553	36-10363-6037469-01	\$ 286,291
National School Lunch Program	10.555	36-10363-6037469-01	451,894
Total Child Nutrition Cluster			<u>738,185</u>
Food Stamps Cluster:			
California Department of Social Services:			
Food Stamps Program	10.551		161,714,032
Food Stamps Administration	10.561		14,042,515
California Department of Health Services:			
Regional Nutrition Network for Healthy Active Families	10.561	19406001347-A7	894,863
Nutrition Network	10.561	19406001347-A7	380,254
Public Health Institute:			
California Latino Five-a-Day Campaign	10.561	94-4646278	67,000
Total Food Stamps Cluster			<u>177,098,664</u>
California Department of Education:			
Child and Adult Care Food Program	10.558	3615241J	1,977,843
California Department of Food and Agriculture:			
Inspection, Grading, and Standardization	10.162	04-0573	10,853
California Department of Health Services:			
Special Supplemental Nutrition Program for			
Women, Infants, and Children [1]	10.557	02-25704	8,476,997
California Department on Aging:			
Seniors Farmers' Market Nutrition Program	10.576		37,240
State Controller:			
Schools and Roads - Cluster	10.665		135,486
Total Pass-Through Programs			<u>188,475,268</u>
Direct Programs:			
Forestry Research Grant	10.652		181,467
Cooperative Agreement for Controlled Substances	10.664		32,702
Infested Bark Beetle Wood Utilization Program	10.672		1,775,508
Total Direct Programs			<u>1,989,677</u>
Total Department of Agriculture			<u>190,464,945</u>

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Defense:			
Direct Programs:			
U.S. Army Corp. of Engineers San Timeteo Creek Project-Phase 3B	12.000		\$ 864,616
Department of Housing and Urban Development:			
Pass-Through Programs:			
City of Riverside:			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241		567,707
Direct Programs:			
Lead Hazard Reduction Demonstration Grant	14.905		485,096
Community Development Block Grant	14.218		11,794,946
Emergency Shelter Grant Program	14.231		305,133
HOME Investment Partnerships Program	14.239		8,431,857
Total Department of Housing and Urban Development			21,584,739
Department of the Interior:			
Direct Programs:			
Reclamation and Water Reuse Program	15.504		148,518
Assistance Agreement for Rural Fire Districts-Hinkley	15.242		12,564
Assistance Agreement for Rural Fire Districts-Harvard	15.242		9,369
Assistance Agreement for Rural Fire Districts-Searles Valley	15.242		8,559
Assistance Agreement for Rural Fire Districts-Baker	15.242		8,154
Assistance Agreement for Rural Fire Districts-CSA 53	15.242		8,010
Assistance Agreement for Rural Fire Districts-Mt. Baldy Fire	15.242		7,929
Assistance Agreement for Rural Fire Districts-CSA 79	15.242		6,930
Assistance Agreement for Rural Fire Districts-Forest Falls	15.242		5,355
Assistance Agreement for Rural Fire Districts-Helendale	15.242		5,274
Assistance Agreement for Rural Fire Districts-Angelus Oaks	15.242		5,175
Assistance Agreement for Rural Fire Districts-Summit Valley	15.242		4,860
Assistance Agreement for Rural Fire Districts-El Mirage	15.242		4,374
Assistance Agreement for Rural Fire Districts-Pinion Hills	15.242		3,645
Assistance Agreement for Rural Fire Districts-Mt. View Acres	15.242		2,902
Assistance Agreement for Rural Fire Districts-Devore	15.242		1,980
Assistance Agreement for Rural Fire Districts-Lytile Creek	15.242		1,980
Assistance Agreement for Rural Fire Districts-Mt. San Antonio	15.242		1,980
Assistance Agreement for Rural Fire Districts-Mentone	15.242		1,935
Total Department of the Interior			249,493

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Justice:			
Pass-Through Programs:			
California Office of Criminal Justice and Planning:			
Juvenile Accountability Incentive Grant	16.523	BDC 137-04	\$ 96,182
Street Enforcement and Prosecution	16.579	DC04150360	330,725
California Office of Emergency Services:			
Crime Laboratory Education & Training Program-2004	16.560	CQ03020360	35,669
Elder Abuse Advocacy and Outreach Program	16.575	EA04070360	139,305
Special Emphasis Victim Witness Assistance Program	16.575	SE04140360	111,906
Victim Witness Assistance Program	16.575	VW04230360	444,720
Elder Abuse Advocacy and Outreach Program	16.579	EA04070360	8,335
Street Enforcement and Prosecution	16.579	DC04150360	816,504
Marijuana Suppression Program	16.579	MS04090360	193,333
Marijuana Suppression Program	16.738		74,703
County of Riverside:			
High Intensity Drug Trafficking Area	16.15PLAP540Z	15PLAP540Z	650,917
U.S. National Institute of Justice:			
DNA Capacity Enhancement Program 04	16.564		186,549
Total Pass-Through Programs			3,088,848
Direct Programs:			
Federal Asset Forfeitures Program	16.CA0360000		929,091
High Intensity Drug Trafficking Area	16.15PLAP530Z		687,486
IMPACT	16.541		509,315
2005 Congressionally Mandated Award	16.580		338,455
2005 Justice Assistance Grant	16.592		969,471
Local Law Enforcement Grant - 2003	16.592		76,926
Local Law Enforcement Block Grant - 2004	16.592		47,602
Home Run Program (COPS MORE)	16.710		1,438,985
U.S. National Institute of Justice			
Forensic Casework DNA Backlog Reduction Program 04	16.564		175,386
U.S. Marshal Service:			
Regional Fugitive Task Force	16.FATF-0044		95,800
Drug Enforcement Administration:			
Domestic Cannabis Eradication/Suppression Program	16.2005-31		72,875
Total Direct Programs			5,341,392
Total Department of Justice			8,430,240

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Department of Labor:			
Pass-Through Programs:			
Workforce Investment Act Cluster			
California Employment Development Department			
Workforce Investment Act - Adult	17.258	R588747	\$ 4,644,935
Workforce Investment Act - Youth	17.259	R588747	3,508,119
Workforce Investment Act - Dislocated Workers	17.260	R588747	4,621,267
Total Workforce Investment Act Cluster			<u>12,774,321</u>
California Department on Aging:			
Senior Community Service Employment Program - Title V	17.235	TV-0405-20	300,647
California Employment Development Department:			
Workforce Investment Act - Incentive Grants	17.266	R588747	117,866
National Council on Aging:			
Senior Community Service Employment Program - Title V	17.235	ANPPM-02-SNB	367,400
Total Department of Labor			<u>13,560,234</u>
Department of Transportation:			
Pass-Through Programs:			
California Department of Transportation:			
Highway Planning and Construction Cluster - Highway			
Planning and Construction Grant	20.205	85954	19,904,291
California Office of Traffic Safety:			
Comprehensive Child Passenger Safety Program (2005/2006)	20.600	CB0408	52,782
Education on Driving Under the Influence and Occupant			
Restraints (2005/2006)	20.600		334,378
Underage Drinking and Driving Prevention Program (2005/2006)	20.600	AL0655	75,967
Direct Programs:			
Airport Improvement Program	20.106		4,412,967
Total Department of Transportation			<u>24,780,385</u>
General Service Administration:			
Pass-Through Programs:			
Secretary of State			
HAVA (Help America Vote Act) Section 301	90.401		17,080
Total General Service Administration			<u>17,080</u>

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Environmental Protection Agency:			
Pass-Through Programs:			
State Water Resources Control Board:			
State Underground Storage Tanks Program	66.805	04-038-250-0	\$ 111,822
Total Environmental Protection Agency			<u>111,822</u>
Department of Education:			
Pass-Through Programs:			
California Department of Alcohol and Drug Program:			
Safe and Drug-Free Schools	84.186	SDF-0311	204,808
County Office of Education			
Federal Individuals with Disabilities Education (IDEA)			
(2005/2006)	84.027A		1,180,486
Total Department of Education			<u>1,385,294</u>
Department of Health and Human Services:			
Pass-Through Programs:			
Medicaid Cluster:			
California Department of Health Services:			
Medi-Cal Assistance Program (HSS)	93.778		37,946,547
Medi-Cal Administrative Activities (MAA)	93.778	03-75084	850,303
Targeted Case Management (TCM)	93.778		399,862
California Department on Aging:			
Medi-Cal Assistance Program	93.778	MS-0405-17	583,170
California Department of Social Services			
In-Home Support Services-Public Authority	93.778		2,261,105
California Department of Alcohol and Drug Program:			
Medi-Cal Assistance Program	93.778	NNA36	1,708,665
Total Medicaid Cluster [1]			<u>43,749,652</u>
Aging Cluster:			
California Department on Aging:			
Special Programs for the Aging - Title VII-B	93.041	AP-0405-20	18
Special Programs for the Aging - Title VII-A	93.042	AP-0405-20	4,225
Special Programs for the Aging - Disease Prevention and Health			
Promotion Services	93.043	AP-0405-20	49,260
Special Programs for the Aging - Title III, Part B	93.044	AP-0405-20	1,488,361
Special Programs for the Aging - Title III, Parts C1 and C2	93.045	AP-0405-20	2,271,403
Family Caregiver	93.052	AP-0405-20	787,786
Nutrition Program for the Elderly	93.053	AP-0405-20	519,180
Total Aging Cluster			<u>5,120,233</u>
California Emergency Medical Services Authority:			
U.S. HRSA's National Bio-terrorism Hospital Prep Program	93.003		1,300,794

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
California Department of Alcohol and Drug Program: Substance Abuse Prevention and Treatment Block Grant [1]	93.959	NNA36	\$ 10,330,914
California Department of Health Services:			
Project Grants for Tuberculosis Control	93.116		293,160
Acquired Immunodeficiency Syndrome	93.118	04-35374	205,908
Immunization Subvention Grant	93.268	68-0317191	635,546
Immunization Registry	93.268		278,777
Public Health Preparedness and Response to Bio-terrorism	93.283	94-6001347	2,815,574
Cities Readiness Initiative	93.283		26,567
HIV Care Formula Grant - Title II	93.917	03-75924	811,645
Maternal and Child Health Services Block Grant	93.994	200336	939,136
Total California Department of Health Services			6,006,313
California Department of Mental Health:			
Projects for Assistance in Transition from Homelessness	93.150		396,860
Mental Health Services Block Grant	93.958		3,163,693
Total California Department of Mental Health			3,560,553
California Department of Social Services:			
Family Preservation and Support Services	93.556		2,429,365
Temporary Assistance to Needy Families (HSS)	93.558		190,495,941
Child Support Enforcement [1]	93.563	AD-2005-CAC-XX3	25,160,834
Refugee and Entrant Assistance	93.566		35,112
Refugee and Entrant Assistance - Admin	93.566		1,538
Child Welfare Services - State Grants	93.645		1,855,953
Adoption Assistance [1]	93.659		11,533,304
Adoption Assistance - Admin [1]	93.659		1,751,751
Social Service Block Grant - Title XX	93.667		3,405,240
Independent Living Skills	93.674		1,309,859
Foster Care - Title IV - E - TAD [1]	93.658		56,261,433
Foster Care - Title IV - E - PRB [1]	93.658		14,445,092
Total California Department of Social Services			308,685,422
California Department on Aging:			
Health Care Financing Research Demonstrations Project	93.779	HI-0405-20	70,200
California Family Health Council:			
Family Planning Service - Title X	93.217		611,566
California Infertility Prevention Project	93.917		65,582
Total California Family Health Council			677,148
Secretary of State:			
HAVA (Help America Vote Act) EAID (Title II, Section 261)	93.617		3,574
Total Pass-Through Programs			379,504,803

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Award Expenditures
Direct Programs:			
Consolidated Health Centers	93.224		\$ 348,834
Head Start Program [1]	93.600		31,870,284
HIV Cluster - HIV Emergency Relief Formula Grant Title I	93.914		6,437,109
Grants to Provide Outpatient Services for HIV Disease - Title III	93.918		569,787
Total Direct Programs			<u>39,226,014</u>
Total Department of Health and Human Services			<u>418,730,817</u>
Department of Homeland Security:			
Pass-Through Programs:			
California Office of Emergency Services:			
FY 2005 State Homeland Security Grant Program	97.067		1,011,042
FY 2004 State Homeland Security Grant Program	97.067	2003-35-071	2,466,593
FY 2003 State Homeland Security Grant Program Part I	97.067	2003-167-071	206,171
FY 2003 State Homeland Security Grant Program Part II	97.067	2003-35-071	277,047
FY 2002 State Domestic Preparedness Equipment Program	97.004	2002-TE-CX-0133	3,682
FEMA - Disaster Assistance-Transportation	97.036		2,743,032
FEMA - Public Assistance Grants	97.036	FEMA -1498	1,259,536
FEMA - Public Assistance Grants	97.036	FEMA-1577	2,408,425
FEMA - Public Assistance Grants	97.036	FEMA-1585	128,556
California Department of Boating & Waterways:			
Boating Program	97.012		<u>38,000</u>
Total Pass-Through Programs			<u>10,542,084</u>
Direct Programs:			
FY 2004 Assistance to Firefighters Grant	97.044		102,834
FY 2005 Assistance to Firefighters Grant	97.044		79,299
Hazard Mitigation	97.039		<u>1,841,033</u>
Total Department of Homeland Security			<u>12,565,250</u>
Total Expenditures of Federal Awards			<u>\$ 692,744,915</u>

[1] Denotes a major federal financial assistance program.

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006**

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the County of San Bernardino, California (the County), except for those programs operated by the Child Development Department, which were audited by other auditors engaged by the County. The aforementioned program is included in the County's financial statements; however, excluded from the Schedule of Expenditures of Federal Awards. A separate single audit report is issued for the Child Development Department. Federal awards received directly from federal agencies, as well as, federal awards, passed through the State of California and various agencies are included in this schedule. The County's reporting entity is defined in Note 1 to the County's financial statements.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting except for programs recorded in the County's enterprise funds, which are presented using the accrual basis of accounting, which is described in Note 2 to the County's basic financial statements.

C. Relationship to Basic Financial Statements

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements.

Federal award revenues are reported principally in the County's financial statements as intergovernmental revenues in the General and Special Revenue Funds.

D. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, with the amounts reported in the related federal financial reports.

NOTE # 2 - OUTSTANDING LOANS OF FEDERAL FUNDS AT JUNE 30, 2006

At June 30, 2006, outstanding loans under the United States Department of the Interior, Bureau of Reclamation - Reclamation and Water Reuse Program and U.S. Army Corp. of Engineers are \$19,062,000 and \$6,000,000, respectively.

COUNTY OF SAN BERNARDINO, CALIFORNIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

NOTE # 3 - AMOUNT PROVIDED TO SUBRECIPIENTS

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Federal Award Expenditures
Child and Adult Care Food Program	10.558	\$ 237,055
Food Stamps Administration	10.561	563,188
Regional Nutrition Network for Healthy Active Families	10.561	280,963
Community Development Block Grant	14.218	5,365,947
Emergency Shelter Grant Program	14.231	268,031
HOME Investment Partnerships Program	14.239	7,852,379
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	560,002
Lead Hazard Reduction Demonstration Grant	14.905	485,096
Asset Forfeitures	16.CA0360000	472,826
High Intensity Drug Trafficking Area	16.ISPLAP530Z	28,907
High Intensity Drug Trafficking - County of Riverside	16.ISPLAP530Z	31,980
Juvenile Accountability Incentive	16.523	96,182
Developing, Testing & Demonstrating Promising New Programs (IMPACT)	16.541	228
Street Enforcement and Prosecution	16.579	68,359
Workforce Investment Act - Adult	17.258	1,299,369
Workforce Investment Act - Youth	17.259	1,967,914
Workforce Investment Act - Dislocated Workers	17.260	1,250,663
Workforce Investment Act - Incentive Grants	17.266	7,041
Education on Driving Under the Influence and Occupant Restraints	20.600	81,734
Comprehensive Child Passenger Safety Program	20.600	29,755
National Bioterrorism Hospital Preparedness Program	93.003	411,642
Disease Prevention & Health Promotion Services	93.043	45,945
Supportive Services Program, Title III, Part B	93.044	358,974
Nutrition Programs, Title III, Part C1 & C2	93.045	2,098,365
Family Caregiver	93.052	417,187
Nutrition Program for the Elderly	93.053	519,180
Health Center Cluster	93.224	167,020
Immunization Registry	93.268	472,621
Family Preservation and Support Services	93.556	1,666,380
Temporary Assistance for Needy Families (HSS)	93.558	977,000
Head Start	93.600	2,768,346
Independent Living Skills	93.674	1,063,198
Medi-Cal Administrative Activities (MAA)	93.778	850,303
Medical Assistance Program (Alcohol)	93.778	1,585,399
Medical Assistance Program (Mental Health)	93.778	12,198,125
Health Insurance Counseling and Advocacy Program (HICAP)	93.779	70,200
HIV Emergency Relief Formula Grant-Title I	93.914	4,979,834
HIV Care Formula Grant-Title II	93.917	511,530
Mental Health Services Block Grant	93.958	1,640,141
Substance Abuse Prevention and Treatment Block Grant	93.959	6,621,232
Maternal and Child Health Services Block Grant	93.994	49,912
State Homeland Security Grant	97.067	496,353
Total Amount Provided to Subrecipients		<u>\$ 60,916,506</u>

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Reporting conditions identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	
Identification of major programs:	<u>Yes</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>10.557</u>	<u>Special Supplemental Nutrition Program for Women, Infants, and Children</u>
<u>93.778</u>	<u>Medicaid Cluster</u>
<u>93.959</u>	<u>Substance Abuse Prevention and Treatment Block Grant</u>
<u>93.563</u>	<u>Child Support Enforcement</u>
<u>93.659</u>	<u>Adoption Assistance</u>
<u>93.658</u>	<u>Foster Care - Title IV - E - TAD and PRB</u>
<u>93.600</u>	<u>Head Start Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 3,000,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006**

II. FINANCIAL STATEMENT FINDINGS

There were no findings representing reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with generally accepted government auditing standards.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The following findings represent reportable conditions, material weakness, and/or instances of noncompliance including questioned costs that are required to be reported by OMB Circular A-133.

Finding 2006-1

Program: Child Support Enforcement

CFDA No. : 93.563

Federal Agency: Department of Health and Human Services

Passed-through: State Department of Child Support Services

Award Year: 2005-2006

Compliance Requirement: Eligibility/Special Tests & Provisions

Questioned Costs: Approximately: None

Criteria:

In accordance with the *March 2006 OMB Circular A-133 Compliance Supplement*, the Local Child Support Enforcement Agency must establish a case record for applications/petitions received from individuals requesting child support enforcement services within 20 days of receipt.

Condition:

Of the 42 case files selected for testwork, we noted three instances whereby establishment/commencement of a case record was not performed within 20 days of receipt of the application.

Cause:

In review of the three files we noted that two of the applications were not date stamped as received.

Effect:

The County has not complied with procedures as defined in the criteria noted above.

Recommendation:

We recommend that the County improve its policies and procedures to ensure the establishment of Child Support case records are performed in accordance with federal requirements.

Views of Responsible Officials and Corrective Action:

See separately issued corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2006-2

Program: Medicaid Cluster

CFDA No.: 93.778

Federal Agency: Department of Health and Human Services

Passed-Through: California Departments of Health Service, California Departments on Aging, California Departments of Social Services, and California Departments of Alcohol and Drug Programs

Award Year: Fiscal Year 2005-3006

Compliance Requirement: Eligibility

Questioned Costs: Unknown

Criteria:

The *March 2006 OMB Circular A-133 Compliance Supplement* requires that the County determine eligibility in accordance with the specific eligibility requirements defined in the approved State plan. These requirements include the maintenance of documentation necessary to support an eligibility re-determination, signed applications, and income verification documentation.

Condition Found:

Of the 40 samples of files selected for testing, we noted the following:

- Three cases where the County could not support that a re-determination of eligibility was performed within a 12 month interval.
- Two cases where supporting documentation was not available to show income verification was performed through the Income Eligibility Verification System (IEVS).
- One case where supporting documentation was not available to show the applicant's social security number was verified.

Effect:

Case data may not accurately reflect the eligibility status of Medi-Cal recipients thus increasing the risk of noncompliance with the requirements of the State plan.

Recommendation:

We recommend that the County strengthen their monitoring procedures to ensure that documentation required to support eligibility are properly maintained in the files.

Views of Responsible Officials and Corrective Action:

See separately issued corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2006-3

Program: HIV Emergency Relief Formula Grant – Title I
CFDA No.: 93.914
Federal Agency: Department of Health and Human Services
Award Year: 2004/2005
Compliance Requirement: Subrecipient Monitoring
Questioned Costs: None

Criteria:

The *March 2004 OMB Circular A-133 Compliance Supplement* requires a pass-through entity to be responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During-the-Award Monitoring* - Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* - (1) Ensuring that subrecipients expending \$500,000 for fiscal years ending or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition:

As a result of our audit during FY2004-2005, we noted the following based on our testing performed over subrecipient monitoring:

- Each of the subrecipient agreements did not identify the Federal award information including the CFDA number.
- Each subrecipient agreement did not communicate the requirements to comply with the compliance requirements applicable to the Federal program including the audit requirements of OMB Circular A-133.
- Due to the volume of expenditures, the department did not require subrecipients to provide supporting documentation with its monthly reimbursement request to aid in substantiating federal expenditures. Consequently, the department did not perform a review of subrecipient's financial records as part of its annual program monitoring procedures to ensure compliance with allowable costs principles
- The department did not have a contract or memorandum of understanding in place with a County operated clinic to identify federal compliance requirements

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

- The County did not have adequate procedures in place to ensure subrecipients that are receiving grant funding from the County that is less than \$500,000 are obtaining a single audit, if required. In addition, the County did not appear to have procedures in place to ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

As a result of our follow up procedures during FY2005-2006, we noted the following:

- Two monitoring reports did not have the program coordinator's signature as evidence of review and approval.
- There was no Supervisory oversight on corrective action plans submitted to address fiscal monitoring findings or if a follow-up monitoring visit was required.
- One sub-recipient did not submit a corrective action plan and three sub-recipients did not respond to findings in a timely manner and follow-up visits were not conducted on findings.

Effect:

Without conducting timely fiscal monitoring visits, the risk of unallowable cost or inflated expense reporting exists.

Recommendation:

This is a repeat condition that was reported in connection with the audit of the County's federal awards for the year ended June 30, 2005.

We recommend that the County implement stronger internal controls to ensure subrecipient single audit requirements are being monitored and that timely and appropriate corrective action on all audit findings are performed.

Views of Responsible Officials and Corrective Action:

See separately issued corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2006-4

Program: HIV Emergency Relief Formula Grant – Title I
CFDA No.: 93.914
Federal Agency: Department of Health and Human Services
Award Year: 2004-2005 and 2005-2006
Compliance Requirement: Cash Management/Period of Availability
Questioned Costs: None

Criteria:

In accordance with the *March 2004 OMB Circular A-133 Compliance Supplement*, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement. Interest earned on advances by local government grantees and subgrantees is required to be submitted promptly, but at least quarterly, to the Federal agency.

Condition:

As a result of our audit during FY2004-2005 over the County's four quarterly drawdown request selected for testwork, we noted the following:

- The County's 3rd quarter drawdown resulted in an advance of Federal funds of \$814,456 from the FY2005-2006 grant. In addition, the County could not readily determine whether interest earned on the advances was required to be reported/remitted to the Federal agency.
- We noted the 4th quarter drawdown request did not agree in total to actual expenditures reported in the County's Financial Accounting System for the period April 1st through June 30th.
- No evidence of review or approval was documented indicating managements approval of each quarter's drawdown amount.

As a result of our follow up procedures during FY2005-2006, we noted the following:

The department continues to improperly draw down funds from the Federal Treasury. This is due to the department including contract encumbrances with paid expenditures in its June 30 drawdown. We also noted that the department's 4th quarter draw down request of \$1,492,140 was not supported by the County's Financial Accounting System.

In addition, it was noted the department conducted an internal audit of its cash management activities for the last 3 years. As a result, the Public Health Department reimbursed the federal agency the interest that was accrued on the federal funds that were drawn down in advance. The Department determined that the interest due to the Federal Agency was \$45,634.

**COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006**

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Cause:

The County does not have written policies and procedures that provide procedures for requesting cash advances or drawdowns as close as is administratively possible to actual cash outlays; monitoring of cash management activities, including the accurate reporting and independent approval of available cash balances on the PSC 272, Federal Cash Transactions Report, Status of Federal Cash, and repayment of excess interest earnings where required.

Effect:

Lack of formal procedures to ensure the accuracy of expenditures being submitted in the drawdown request jeopardizes the County's cash management / period of availability compliance.

Recommendation:

This is a repeat condition that was reported in connection with the audit of the City's basic financial statements for the year ended June 30, 2005.

We recommend that the County implement effective internal controls to ensure the PSC 272, Federal Cash Transactions Report, Status of Federal Cash financial report are reviewed for accuracy and completeness and approved by someone independent of the drawdown process, ensuring compliance with Federal cash management principles.

In addition, the County should implement an effective internal control to ensure that the quarterly drawdown requests are properly supported by paid program expenditures.

Views of Responsible Officials and Corrective Action:

See separately issued corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
JUNE 30, 2006

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS, CONTINUED

Finding 2006-5

Program: State Homeland Security Grant Program
CFDA No.: 97.067
Federal Agency: Department of Homeland Security
Passed-through: California Office of Emergency Services
Award Year: 2004/2005
Compliance Requirement: Allowable/Unallowable Costs
Questioned Costs: None

Criteria:

In accordance with the State Homeland Security Grant Program's *Grant Guide for Local Governments*, all changes made to the Operational Area's approved scope of work or budget must be submitted to the State Office of Emergency Services (OES). Revisions must be requested in writing and approved prior to initiating the revised scope of work or incurring the associated costs. Failure to submit revision requests and receive approval prior to expenditure could result in a reduction or disallowance of that part of the grant.

Condition Found:

As a result of our audit during FY2004-2005, we noted 20 out of 36 expenditures deemed allowable under the provisions of the grant agreement, did not agree either in description or amount to the original budget approved by the State. Further, we noted the County did not properly submit revisions to the authorized budget prior to initiating the revised scope of work or incurring the associated costs.

As a result of our follow up procedures during FY2005-2006, we noted the County has not implemented formal policies and procedures to ensure revisions to the authorized budget are approved by the State.

Effect:

Lack of formal procedures to ensure approval is obtained prior to making budget adjustments jeopardizes the County's compliance with allowable costs.

Recommendation:

This is a repeat condition that was reported in connection with the audit of the City's basic financial statements for the year ended June 30, 2005.

We recommend that the County establish policies and procedures to ensure that all revision to the Grant's budget be requested in writing and approved prior to initiating the revised scope of work or incurring the associated costs.

Views of Responsible Officials and Corrective Action:

See separately issued corrective action plan.

COUNTY OF SAN BERNARDINO, CALIFORNIA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006**

Summarized below is the current status of all audit findings reported in the prior year audit's schedule of audit findings and questioned costs.

Finding No.	Program	CFDA No.	Compliance Requirement	Status
2005-1, 2005-2, 2005-3	Mental Health Services Block Grants (SAMHSA)	93.958	Subrecipient Monitoring, Procurement, Suspension, and Debarment, Earmarking,	Implemented
2005-4	Community Development Block Grant	14.218	Cash Management, Procurement, Suspension, and Debarment	Implemented
2005-5	Community Development Block Grant	14.218	Cash Management, Procurement, Suspension, and Debarment	Implemented
2005-6	Aging Cluster	93.044, 93.045, 93.052, 93.053	Subrecipient Monitoring, Reporting	Implemented
2005-7	Aging Cluster	93.044, 93.045, 93.052, 93.053	Subrecipient Monitoring, Reporting	Implemented
2005-8	Airport Improvement Program	20.106	Allowable Costs and Activities	Implemented
2005-9	HIV Emergency Relief Formula Grant – Title I	93.914	Subrecipient	Partially implemented, see current year finding 2006-3
2005-10	HIV Emergency Relief Formula Grant – Title I	93.914	Cash Management/Period of Availability	Not implemented, see current year finding 2006-4
2005-11	State Homeland Security Grant Program	97.067	Allowable/Unallowable Costs	Not implemented, see current year finding 2006-5

COUNTY OF SAN BERNARDINO, CALIFORNIA

SUPPLEMENTAL SCHEDULE OF CALIFORNIA STATE DEPARTMENT OF AGING GRANTS
JUNE 30, 2006

Grantor/Program Name	CFDA No.	Contract Number	Federal Expenditures	State Expenditures
California Department of Aging:				
Senior Farmers Market Nutrition Program	10.576	Program Memo 06-13(P)	\$ 37,240	
Senior Community Svc Employment Program Title V (NAHE)	17.235	ANPPM-02-SNB	367,400	
Senior Community Svc Employment Program Title V (CDA)	17.235	Contract #TV 0506-20	300,647	\$ 76,916
Elder Abuse Program Title VII-B	93.041	Contract #AP 0506-20	18	1,040
Ombudsman Program - Title VII-A	93.042	Contract #AP 0506-20	4,225	9,276
Disease Prevention & Health Promotion Services	93.043	Contract #AP 0506-20	49,260	4,112
Supportive Services Program, Tittle III, Part B	93.044	Contract #AP 0506-20	1,488,361	168,643
Nutrition Programs, Title III, Part C1 & C2	93.045	Contract #AP 0506-20	2,271,403	102,353
Family Caregiver	93.052	Contract #AP 0506-20	787,786	
Nutrition Program For the Elderly	93.053	Contract #AP 0506-20	519,180	
In-Home Supportive Services-Public Authority	93.778	State Claim	2,261,105	1,469,718
Medi-Cal Assistance Program (MSSP)	93.778	Contract #MS 0506-17	583,170	606,973
Health Insurance Counseling & Advocacy Program (HICAP)	93.779	Contract #HI 0506-20	70,200	232,127
Community Based Supportive Services	N/A	Contract #AP 0506-20		486,234
Ombudsman Volunteer Recruitment Initiative	N/A	Contract #AP 0506-20		43,382
Totals			\$ 8,739,995	\$ 3,200,774